

**BELLEVUE INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

- WITH INDEPENDENT AUDITORS' REPORT -

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
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JUNE 30, 2012**

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Independent Auditors' Report

Members of the Board of Education
Bellevue Independent School District
215 Center Street
Bellevue, Kentucky 41073

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

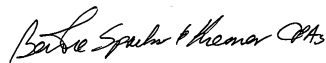
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Independent School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2012, on our consideration of the Bellevue Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, and Budgetary Comparison Information, on page 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bellevue Independent School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.
December 19, 2012

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2012**

As management of the Bellevue Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$2,275,816.
- The District remains committed to retaining quality teachers with offering competitive salary schedules.
- The District remains committed to researching and implementing positive programs for our students, including the purchase of technology software and hardware. Priority items of the Bellevue Board of Education continues to be utilizing researched-based ways of increasing student test scores and ensuring our students receive state of the art technology experiences through smart classrooms.
- The General Fund had \$6,041,990 (excluding inter-fund transfers of \$30,710) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$5,571,262 (excluding inter-fund transfers of \$27,250).
- The second phase of the Harbor Greene Condominium Residential Complex was scheduled to begin in June of 2008, however, presently; construction has been put on hold. The third and final phase has not been scheduled at this time. Industrial Revenue Bonds were sold on this project and the city has agreed to thirty year school tax abatement.
- The construction on the commercial property that houses Urban Active Fitness Center is complete. Urban Active occupies the 2nd and 3rd floors of the four story building and Daymar College occupies the 4th floor, however, no other tenants occupy the first floor of this facility. Industrial Revenue Bonds were sold on this project and the city has agreed to thirty year school tax abatement.
- Once this extensive upgrading of the Bellevue waterfront on the Ohio River is completed, the Bellevue Independent Schools should realize approximately \$500,000 of new taxes. However, it should be noted that the School District continues to experience declining enrollment, which consequently reflects a decrease in SEEK funding.
- SEEK Guaranteed Base for the next Biennium Budget for FY2012-2013 and FY2013-2014 has projected to be a 1.85% reduction over the FY2011-2012 SEEK Guaranteed Base. All areas of Budget for the District have been addressed to reduce spending to offset these future cuts that will come from State Revenue.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 34 of this report.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,983,780 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Net Assets for the periods ending June 30, 2012 and 2011

	2012	2011
Current assets	\$ 2,252,773	\$ 2,438,398
Noncurrent assets	<u>4,741,706</u>	<u>5,135,389</u>
Total assets	<u>\$ 6,994,479</u>	<u>\$ 7,573,787</u>
Current liabilities	\$ 524,571	\$ 589,699
Noncurrent liabilities	<u>3,486,128</u>	<u>3,726,089</u>
Total liabilities	<u>\$ 4,010,699</u>	<u>\$ 4,315,788</u>
Net assets		
Investment in capital assets (net of debt)	\$ 1,147,548	\$ 1,236,632
Nonspendable	11,484	-
Restricted	186,895	651,474
Unreserved fund balance	<u>1,637,853</u>	<u>1,369,893</u>
Total net assets	<u>\$ 2,983,780</u>	<u>\$ 3,257,999</u>

Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, were \$6,041,990.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

Comments on Budget Comparisons (cont'd)

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,789,327 in excess of budget, or approximately 41.8%. This is partially a result of the District recording "on behalf" payments made by the state.
- The total cost of all programs and services, net of inter-fund transfers, in the General Fund, was \$5,571,262.
- General fund actual expenditures were more than budgeted expenditures by \$104,751. This is mainly a result of the District recording "on behalf" payments made by the state.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 74,327	\$ 75,489
Operating grants and contributions	1,425,414	1,620,643
Capital grants and contributions	120,960	132,632
Total program revenues	<u>1,620,701</u>	<u>1,828,764</u>
General Revenues:		
Property taxes	2,904,077	2,658,772
Grants and entitlements	3,265,128	3,234,890
Earnings on investments	7,976	14,623
Miscellaneous	178,502	128,371
Total program revenues	<u>6,355,683</u>	<u>6,036,656</u>
Total revenues	<u>7,976,384</u>	<u>7,865,420</u>
Expenses:		
Instruction	3,978,846	3,788,566
Student support services	227,931	241,917
Staff support services	571,116	678,239
District administration	561,291	631,987
School administration	647,373	574,302
Business support	259,843	246,375
Plant operations	607,687	712,409
Student transportation	71,333	87,874
Community service	127,594	121,663
Facility acquisition and construction	639,707	-
Interest on long-term debt	90,602	77,219
Food service	461,980	396,179
Other	5,300	4,166
Total expenses	<u>8,250,603</u>	<u>7,560,896</u>
Revenue in excess (deficit) of expense	<u>\$ (274,219)</u>	<u>\$ 304,524</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$339,060 in contingency (6.3%). The beginning cash balance for beginning the fiscal year is \$2,275,816. Significant Board action that impacts the finances include a minimum 1% pay raise for all employees.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to the Superintendent, Mr. Wayne Starnes, at 859-261-2108 or by mail at Bellevue Independent School District, 219 Center Street, Bellevue, Kentucky 41073.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - DISTRICT WIDE
AS OF JUNE 30, 2012**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 1,777,438	\$ 92,976	\$ 1,870,414
Accounts receivable	363,337	7,538	370,875
Inventories for consumption	-	11,484	11,484
Total current	<u>2,140,775</u>	<u>111,998</u>	<u>2,252,773</u>
NONCURRENT			
Bond issuance costs - net	59,797	-	59,797
Construction in progress	-	-	-
Nondepreciated capital assets:			
Land	175,987	-	175,987
Depreciated capital assets:			
Land improvements	98,312	-	98,312
Buildings and improvements	8,185,768	-	8,185,768
Furniture and equipment	1,609,992	217,502	1,827,494
Less: accumulated depreciation	<u>(5,403,294)</u>	<u>(202,358)</u>	<u>(5,605,652)</u>
Total noncurrent	<u>4,726,562</u>	<u>15,144</u>	<u>4,741,706</u>
Total assets	<u><u>\$ 6,867,337</u></u>	<u><u>\$ 127,142</u></u>	<u><u>\$ 6,994,479</u></u>
LIABILITIES			
CURRENT			
Current portion of bonds payable	\$ 315,439	\$ -	\$ 315,439
Current portion of accrued sick leave	23,045	-	23,045
Accounts payable	-	-	-
Accrued payroll and related expenses	132,716	-	132,716
Accrued interest	25,771	-	25,771
Deferred revenues	<u>27,600</u>	<u>-</u>	<u>27,600</u>
Total current	<u>524,571</u>	<u>-</u>	<u>524,571</u>
NONCURRENT			
Accrued sick leave	207,409	-	207,409
Bonds payable	<u>3,278,719</u>	<u>-</u>	<u>3,278,719</u>
Total noncurrent	<u>3,486,128</u>	<u>-</u>	<u>3,486,128</u>
Total liabilities	<u>4,010,699</u>	<u>-</u>	<u>4,010,699</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,132,404	15,144	1,147,548
Restricted for:			
Capital projects	13,086	-	13,086
Accrued sick leave	73,295	-	73,295
Net assets	-	100,514	100,514
Nonspendable inventories	-	11,484	11,484
Unrestricted	<u>1,637,853</u>	<u>-</u>	<u>1,637,853</u>
Total net assets	<u>2,856,638</u>	<u>127,142</u>	<u>2,983,780</u>
Total liabilities and net assets	<u><u>\$ 6,867,337</u></u>	<u><u>\$ 127,142</u></u>	<u><u>\$ 6,994,479</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
Governmental Activities:							
Instructional	\$ 3,978,846	\$ -	\$ 599,745	\$ -	\$ (3,379,101)	\$ -	\$ (3,379,101)
Student support services	227,931	-	66,662	-	(161,269)	-	(161,269)
Staff support services	571,116	-	250,928	-	(320,188)	-	(320,188)
District administration	561,291	-	-	-	(561,291)	-	(561,291)
School administration	647,373	-	-	-	(647,373)	-	(647,373)
Business support services	259,843	-	-	-	(259,843)	-	(259,843)
Plant operation and maintenance	607,687	-	2,864	-	(604,823)	-	(604,823)
Student transportation	71,333	-	7,480	-	(63,853)	-	(63,853)
Other	5,300	-	-	-	(5,300)	-	(5,300)
Community service operations	127,594	-	125,904	-	(1,690)	-	(1,690)
Facility acquisition and construction	639,707	-	-	120,960	(518,747)	-	(518,747)
Interest on long-term debt	90,602	-	-	-	(90,602)	-	(90,602)
Total governmental activities	7,788,623	-	1,053,583	120,960	(6,614,080)	-	(6,614,080)
Business-type Activities							
Food service	461,980	74,327	371,831	-	-	(15,822)	(15,822)
Total business-type activities	461,980	74,327	371,831	-	-	(15,822)	(15,822)
Total school district	\$ 8,250,603	\$ 74,327	\$ 1,425,414	\$ 120,960	\$ (6,614,080)	\$ (15,822)	\$ (6,629,902)
General revenues:							
Taxes					\$ 2,904,077	\$ -	\$ 2,904,077
State aid formula grants					3,265,128	-	3,265,128
Investment earnings					7,239	737	7,976
Bond payments made by KFSCC					96,773	-	96,773
Miscellaneous					80,022	1,707	81,729
Loss on sale of bonds					-	-	-
Miscellaneous					-	-	-
Total general and special revenues					6,353,239	2,444	6,355,683
Change in net assets					(260,841)	(13,378)	(274,219)
Net assets - beginning					3,117,479	140,520	3,257,999
Net assets - ending					\$ 2,856,638	\$ 127,142	\$ 2,983,780

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
CURRENT					
Cash (overdraft) and cash equivalents	\$ 2,062,933	\$ (298,581)	\$ 13,086	\$ -	\$ 1,777,438
Accounts receivable	37,156	326,181	-	-	363,337
Total current	<u>\$ 2,100,089</u>	<u>\$ 27,600</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ 2,140,775</u>
LIABILITIES AND FUND BALANCE					
CURRENT					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	132,716	-	-	-	132,716
Deferred revenues	-	27,600	-	-	27,600
Total current	<u>132,716</u>	<u>27,600</u>	<u>-</u>	<u>-</u>	<u>160,316</u>
FUND BALANCE					
Restricted					
Capital projects fund	-	-	13,086	-	13,086
Accrued sick leave	73,295	-	-	-	73,295
Unassigned	1,894,078	-	-	-	1,894,078
Total fund balance	<u>1,967,373</u>	<u>-</u>	<u>13,086</u>	<u>-</u>	<u>1,980,459</u>
Total liabilities and fund balance	<u>\$ 2,100,089</u>	<u>\$ 27,600</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ 2,140,775</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Total governmental fund balance		\$ 1,980,459
Bond issue costs - net		59,797
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	-	
Cost of capital assets	10,070,059	
Accumulated depreciation	<u>(5,403,294)</u>	
		4,666,765
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(3,594,158)
Accrued interest on bonds		(25,771)
Accrued sick leave		<u>(230,454)</u>
Total net assets - governmental		<u><u>\$ 2,856,638</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 2,706,561	\$ -	\$ -	\$ 197,516	\$ 2,904,077
Earnings on investments	7,239	-	-	-	7,239
State sources	3,247,608	310,205	-	120,960	3,678,773
Federal sources	17,520	707,457	-	-	724,977
Other sources	63,062	22,171	-	-	85,233
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	6,041,990	1,039,833	-	318,476	7,400,299
EXPENDITURES:					
Instructional	3,129,229	599,745	-	-	3,728,974
Student support services	161,269	66,662	-	-	227,931
Staff support services	303,645	250,928	-	-	554,573
District administration	556,384	-	-	-	556,384
School administration	529,674	-	-	-	529,674
Business support services	259,843	-	-	-	259,843
Plant operation and maintenance	575,549	2,864	-	13,642	592,055
Student transportation	55,669	7,480	-	-	63,149
Food service operations	-	-	-	-	-
Central office	-	-	-	-	-
Community service operations	-	125,904	-	-	125,904
Facility acquisition and construction	-	-	584,005	35	584,040
Debt service:					
Principal	-	-	-	207,826	207,826
Interest	-	-	-	91,561	91,561
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,571,262	1,053,583	584,005	313,064	7,521,914
Excess(deficit) of revenues over expenditures	470,728	(13,750)	(584,005)	5,412	(121,615)
OTHER FINANCING SOURCES(USES):					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	30,710	13,750	18,912	-	63,372
Operating transfers out	(27,250)	-	-	(5,412)	(32,662)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	3,460	13,750	18,912	(5,412)	30,710
Net change in fund balance	474,188	-	(565,093)	-	(90,905)
Fund balance, July 1, 2011	1,493,185	-	578,179	-	2,071,364
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2012	<u>\$ 1,967,373</u>	<u>\$ -</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ 1,980,459</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

BELLEVUE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net changes in total fund balances per fund financial statements	\$	(90,905)
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Amounts reported for governmental activities in the statement of net assets are different because:

Proceeds from bond sale		-
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Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(426,319)		
Construction in progress	-		
Capital Outlays	39,989		(386,330)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	304,599		304,599
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

		(88,205)
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Change in net assets of governmental activities	\$	(260,841)
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(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 2,217,000	\$ 2,217,000	2,706,561	\$ 489,561
Other local sources	29,500	29,500	70,301	40,801
State sources	2,008,000	2,008,000	3,247,608	1,239,608
Federal sources	10,000	10,000	17,520	7,520
Other sources	18,873	18,873	30,710	11,837
Total revenues	<u>4,283,373</u>	<u>4,283,373</u>	<u>6,072,700</u>	<u>1,789,327</u>
EXPENDITURES:				
Instructional	2,678,238	2,562,858	3,129,229	(566,371)
Student support services	139,462	138,662	161,269	(22,607)
Staff support services	292,876	297,435	303,645	(6,210)
District administration	675,792	751,799	556,384	195,415
School administration	421,384	421,384	529,674	(108,290)
Business support services	245,661	244,197	259,843	(15,646)
Plant operation and maintenance	815,000	812,701	575,549	237,152
Student transportation	100,618	100,618	55,669	44,949
Food service operation	-	-	-	-
Central office	-	-	-	-
Community service operations	-	-	-	-
Facility acquisition and construction	-	-	-	-
Contingency	339,060	337,164	-	337,164
Other	36,445	36,445	27,250	9,195
Total expenditures	<u>5,744,536</u>	<u>5,703,263</u>	<u>5,598,512</u>	<u>104,751</u>
Net change in fund balance	(1,461,163)	(1,419,890)	474,188	1,894,078
Fund balance, July 1, 2011	<u>1,461,163</u>	<u>1,419,890</u>	<u>1,493,185</u>	<u>73,295</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,967,373</u>	<u>\$ 1,967,373</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012**

	FOOD SERVICE	TOTAL
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 92,976	\$ 92,976
Accounts receivable	7,538	7,538
Inventories for consumption	11,484	11,484
Total current	111,998	111,998
NONCURRENT		
Furniture and fixtures	217,502	217,502
Less: accumulated depreciation	(202,358)	(202,358)
Total noncurrent	15,144	15,144
Total assets	<u>\$ 127,142</u>	<u>\$ 127,142</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ -	\$ -
Total current	-	-
NET ASSETS		
Invested in assets, net of debt	15,144	15,144
Unrestricted	111,998	111,998
Total net assets	127,142	127,142
Total liabilities and net assets	<u>\$ 127,142</u>	<u>\$ 127,142</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE	TOTAL
OPERATING REVENUES:		
Lunchroom sales	\$ 74,327	\$ 74,327
Other operating revenues	1,707	1,707
	<hr/>	<hr/>
Total operating revenues	76,034	76,034
	<hr/>	<hr/>
OPERATING EXPENSES:		
Salaries and benefits	203,866	203,866
Contract services	5,492	5,492
Materials and supplies	219,858	219,858
Depreciation	2,053	2,053
Other operating expenses	30,711	30,711
	<hr/>	<hr/>
Total operating expenses	461,980	461,980
	<hr/>	<hr/>
Operating loss	(385,946)	(385,946)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):		
Federal grants	313,884	313,884
State grants	36,528	36,528
Donated commodities and other donations	21,419	21,419
Transfers	-	-
Interest income	737	737
	<hr/>	<hr/>
Total nonoperating revenue	372,568	372,568
	<hr/>	<hr/>
Net loss	(13,378)	(13,378)
	<hr/>	<hr/>
Total net assets, July 1, 2011	140,520	140,520
	<hr/>	<hr/>
Total net assets, June 30, 2012	<u>\$ 127,142</u>	<u>\$ 127,142</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lunchroom sales	\$ 74,327	\$ 74,327
Cash received from other activities	1,707	1,707
Cash payments to employees for services	(203,866)	(203,866)
Cash payments to suppliers for goods and services	(251,568)	(251,568)
Cash transfers	-	-
	<u>(379,400)</u>	<u>(379,400)</u>
Net cash flows used in operating activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
	<u>-</u>	<u>-</u>
Net cash used in capital financing activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating revenues received	370,948	370,948
	<u>370,948</u>	<u>370,948</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	737	737
	<u>737</u>	<u>737</u>
Net cash flows provided by investing activities		
Net decrease in cash and cash equivalents	(7,715)	(7,715)
Cash and cash equivalents - beginning	100,691	100,691
	<u>100,691</u>	<u>100,691</u>
Cash and cash equivalents - ending	<u>\$ 92,976</u>	<u>\$ 92,976</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (385,946)	\$ (385,946)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	2,053	2,053
Changes in assets and liabilities:		
Decrease in inventories	4,493	4,493
	<u>4,493</u>	<u>4,493</u>
Net cash used in operating activities	<u>\$ (379,400)</u>	<u>\$ (379,400)</u>
SCHEDULE OF NON-CASH TRANSACTIONS		
Donated commodities received from federal government	<u>\$ 21,419</u>	<u>\$ 21,419</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
AS OF JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 10,937	\$ 10,937
Investments	<u>32,000</u>	<u>32,000</u>
Total current assets	<u>42,937</u>	<u>42,937</u>
NONCURRENT		
Capital assets	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 42,937</u></u>	<u><u>\$ 42,937</u></u>
LIABILITIES		
CURRENT		
Total current	<u>\$ -</u>	<u>\$ -</u>
NONCURRENT		
Total noncurrent	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
UNRESTRICTED	<u>42,937</u>	<u>42,937</u>
Total net assets	<u>42,937</u>	<u>42,937</u>
Total liabilities and net assets	<u><u>\$ 42,937</u></u>	<u><u>\$ 42,937</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
ADDITIONS		
Net interest and investment gains	\$ 367	\$ 367
Private donations	-	-
Fund transfers	-	-
	<u>367</u>	<u>367</u>
Total additions	<u>367</u>	<u>367</u>
DEDUCTIONS		
Community services	-	-
District administrative support	-	-
Instruction	800	800
	<u>800</u>	<u>800</u>
Total deductions	<u>800</u>	<u>800</u>
Change in net assets	(433)	(433)
Net assets - July 1, 2011	<u>43,370</u>	<u>43,370</u>
Net assets - June 30, 2012	<u><u>\$ 42,937</u></u>	<u><u>\$ 42,937</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bellevue Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bellevue Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Bellevue Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Bellevue Independent School District Finance Corporation - The Board authorized the establishment of the Bellevue Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Bellevue Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 41. This is a major fund of the District.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

IV. Fiduciary Fund Type (agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance Reserves (cont'd)

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE C - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit cash and cash equivalents totaling \$2,159,176. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

Cash and cash equivalents at June 30, 2012, consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Citizens Bank of Campbell County	\$ <u>2,159,176</u>	\$ <u>2,001,030</u>

Allocation per financial statements:

Governmental funds	\$ 1,777,438
Proprietary funds	92,976
Agency funds	10,937
Activity funds	<u>119,679</u>
	<u>\$ 2,001,030</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE D - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 175,987	\$ -	\$ -	\$ 175,987
Land improvements	98,312	-	-	98,312
Buildings and improvements	8,122,858	62,910	-	8,185,768
Technology equipment	1,010,495	95,656	-	1,106,151
Vehicles	340,111	-	-	340,111
General equipment	163,730	-	-	163,730
Totals at historical cost	9,911,493	158,566	-	10,070,059
Less: accumulated depreciation				
Land improvements	95,933	303	-	96,236
Buildings and improvements	3,556,229	349,642	-	3,905,871
Technology equipment	889,835	63,143	-	952,978
Vehicles	275,238	12,223	-	287,461
General equipment	159,740	1,008	-	160,748
Total accumulated depreciation	4,976,975	426,319	-	5,403,294
Governmental activities capital assets - net	<u>\$ 4,934,518</u>	<u>\$ (267,753)</u>	<u>\$ -</u>	<u>\$ 4,666,765</u>
<u>Business - Type Activities</u>				
General equipment	\$ 212,728	\$ -	\$ -	\$ 212,728
Technology equipment	4,774	-	-	4,774
Totals at historical cost	217,502	-	-	217,502
Less: accumulated depreciation				
General equipment	195,531	2,053	-	197,584
Technology equipment	4,774	-	-	4,774
Total accumulated depreciation	200,305	2,053	-	202,358
Business - type activities capital assets - net	<u>\$ 17,197</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ 15,144</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
May 2001	\$ 170,000	3.60% - 5.00%
June 2003	\$ 725,000	2.25%
July 2003	\$ 105,000	1.50% - 4.05%
December 2007	\$ 1,380,000	3.50% - 3.80%
March 2008	\$ 960,000	2.70% - 3.80%
June 2009	\$ 790,000	1.40% - 2.80%
December 2009	\$ 127,243	1.00% - 3.25%
May 2011	\$ 640,000	3.00% - 4.30%

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note P sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as reported in Note P.

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$230,454 for those employees with twenty-seven or more years of experience. The Board has reserved \$73,295 of its General Fund for unpaid sick leave benefits.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE G - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District leases equipment under operating leases expiring in years through 2014. Minimum future lease payments under operating lease agreements for equipment as of June 30, 2012, are as follows:

Year ending June 30:		
	2013	\$ 17,292
	2014	1,441
	2015	-
	2016	-
	2017	-
		<hr/>
		\$ 18,733

NOTE H - RETIREMENT PLANS

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the in the form of on behalf payments. The district is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605%. The contribution requirement for KTRS for the year ended June 30, 2012, was \$416,840 which consisted of \$58,803 from the District and \$358,307 from the employees. Total contributions or the years ended June 30, 2011 and 2010 were \$327,595 and \$379,821, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$195,689 which consisted of \$154,093 from the District and \$41,596 from the employees. Total contributions for the years ended June 30, 2011 and 2010 were \$166,880 and \$162,165, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$4,254,509. The payroll for employees covered under KTRS was \$3,106,096 and for CERS was \$786,693.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE H - RETIREMENT PLANS (CONT'D)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

NOTE I - CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE J - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated.

NOTE K - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE K - RISK MANAGEMENT (CONT'D)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$	565,093
Food Service	\$	13,378
Trust and Agency	\$	433

NOTE M - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
51	1	Indirect Cost	\$ 30,710
1	360	Construction	\$ 13,500
310	360	Construction	\$ 5,412
1	2	Matching	\$ 13,750

NOTE O - ON-BEHALF PAYMENTS

For the year ended June 30, 2012 total payments of \$1,061,880 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$	1,029,313
Food Service	\$	32,567

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE P - SCHEDULE OF LONG-TERM OBLIGATIONS

2001, 2003R, 2003K, 2007, 2008, 2009R, 2009K and 2011 Issues

FISCAL YEAR	BELLEVUE INDEPENDENT SCHOOL DISTRICT		KY SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2012-2013	\$ 224,752	\$ 88,393	\$ 90,687	\$ 35,996	\$ 439,828
2013-2014	227,957	81,997	73,361	33,735	417,050
2014-2015	234,230	74,497	73,000	31,566	413,293
2015-2016	241,313	66,687	75,350	29,216	412,566
2016-2017	249,685	58,683	77,839	26,728	412,935
2017-2018	249,809	50,293	80,409	24,158	404,669
2018-2019	203,563	41,229	67,203	21,416	333,411
2019-2020	206,345	33,806	68,655	18,904	327,710
2020-2021	207,794	26,154	62,206	16,481	312,635
2021-2022	50,033	21,261	44,967	14,454	130,715
2022-2023	48,300	19,183	46,700	12,723	126,906
2023-2024	51,502	17,171	48,498	10,924	128,095
2024-2025	54,635	15,039	50,365	9,056	129,095
2025-2026	52,694	12,764	52,306	7,116	124,880
2026-2027	55,680	10,564	54,320	5,101	125,665
2027-2028	58,587	8,252	56,413	3,008	126,260
2028-2029	43,800	5,830	6,200	835	56,665
2029-2030	43,533	3,947	6,467	568	54,515
2030-2031	48,256	2,075	6,744	290	57,365
	<u>\$ 2,552,468</u>	<u>\$ 637,825</u>	<u>\$ 1,041,690</u>	<u>\$ 302,275</u>	<u>\$ 4,534,258</u>

NOTE Q - SUBSEQUENT EVENTS

Subsequent events were considered through December 31, 2012, which represents the release date of the report.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
CURRENT			
Cash and cash equivalents	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total current	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total current	-	-	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted:			
Capital projects	-	-	-
KSFCC escrow	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Unassigned	-	-	-
Total fund balance	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

BELLEVUE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$ -	\$ 197,516	\$ 197,516
Earnings on investments	-	-	-
State sources	68,750	52,210	120,960
Federal sources	-	-	-
Other sources	-	-	-
Total revenues	68,750	249,726	318,476
EXPENDITURES:			
Instructional	-	-	-
Student support services	-	-	-
Staff support services	-	-	-
District administration	-	-	-
School administration	-	-	-
Business support services	-	-	-
Plant operation and maintenance	13,642	-	13,642
Student transportation	-	-	-
Central office	-	-	-
Community service operations	-	-	-
Facility acquisition and construction	-	35	35
Debt service:			
Principal	27,886	179,940	207,826
Interest	21,810	69,751	91,561
Total expenditures	63,338	249,726	313,064
Excess of revenues over expenditures	5,412	-	5,412
OTHER FINANCING SOURCES(USES):			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(5,412)	-	(5,412)
Total other financing sources(uses)	(5,412)	-	(5,412)
Net change in fund balance	-	-	-
Fund balance, July 1, 2011	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ -

(See Auditors' Report and Accompanying Notes to the Financial Statements)

BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	ISSUE OF 2001	ISSUE OF 2003R	ISSUE OF 2003K	ISSUE OF 2007	ISSUE OF 2008
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	13,200	60,584	10,810	74,000	12,874
Disbursements:					
Bonds paid	10,000	58,130	10,000	34,860	5,636
Interest coupons	3,200	2,454	810	39,140	7,238
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	13,200	60,584	10,810	74,000	12,874
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	ISSUE OF 2009R	ISSUE OF 2009K	ISSUE OF 2011	Total
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -
Receipts:				
Transfers and miscellaneous deposits	85,565	20,522	21,831	\$ 299,386
Disbursements:				
Bonds paid	70,993	16,836	1,371	207,826
Interest coupons	14,572	3,686	20,460	91,560
Transfers and miscellaneous	-	-	-	-
Call fee	-	-	-	-
Total disbursements	85,565	20,522	21,831	\$ 299,386
Excess or (deficiency) of receipts over disbursements	-	-	-	-
Cash at June 30, 2012	-	-	-	-
Accounts Receivable and Payable				
Matured interest and bonds outstanding	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Total accounts receivable and payable	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BELLEVUE HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FUND BALANCE JULY 1, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2012
ACT prep program	\$ 1,344	\$ 5,400	\$ 4,907	\$ 1,837
APSCI Science Fee	-	65	-	65
Art club	67	30	97	-
Athletic account 2008-2010	667	52,873	53,527	13
Bellevue Lions Club	1,000	-	-	1,000
Ben and Irene Flora scholarship	2,659	500	-	3,159
BHS Alumni Memorial Book fund	2,847	1,110	80	3,877
BHS Athletic Boosters scholarship	1,000	-	500	500
BHS band	373	4,740	4,831	282
Baseball team	852	5,877	6,617	112
Baseball tournament account	-	1,925	1,878	47
Biology science fee	-	100	-	100
Board of Ed Reimbursement	-	5,218	5,218	-
Boys basketball team	478	11,782	10,829	1,431
Bumper Mendell scholarship	1,112	263	750	625
Business math class	11	114	119	6
Charles Grant scholarship	300	-	-	300
Cheerleaders-varsity and reserve	524	2,588	1,605	1,507
Chemistry science fee	-	80	-	80
Class of 2011	22	-	22	-
Class of 2012	1,449	11,021	11,855	615
Class of 2013	324	12,726	13,039	11
Class of 2014	639	43	143	539
Class of 2015	-	426	348	78
Class of 2016	-	2,760	2,458	302
Class of 2017	-	35	-	35
Cross country	-	443	81	362
David Moore Memorial scholarship	161	-	-	161
Dennis and Beth West scholarship	500	500	500	500
Dick Jones Memorial scholarship	2,720	210	-	2,930
Donations/charity	-	626	288	338
Drama club	664	2,210	1,993	881
Editorial club	-	5	-	5
Eighth grade class	386	-	386	-
FBLA	695	80	291	484
FCA	65	-	-	65
Football team	320	14,542	14,801	61
Forensics science fee	-	25	-	25
General science	1,183	145	1,128	200
Girls basketball	5,013	16,735	12,757	8,991
Girls softball team	176	3,642	3,560	258
Golf team	-	1,420	1,358	62
High school art	272	1,475	1,276	471
Instructional supplies	3,382	4,442	4,144	3,680
J Steely carnival	6,521	3,476	9,579	418
Jay Grainger Memorial scholarship	3,096	-	500	2,596
Jeffery James scholarship	3,408	30	-	3,438
Jim Jenkins Memorial	-	25	-	25
John Dooley friendliest award	1,250	-	-	1,250
Justin In Time	2,500	-	-	2,500

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BELLEVUE HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FUND BALANCE JULY 1, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2012
Kersten O'Day VFW 2899	1,500	1,000	-	2,500
Let us never forget	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Library	163	-	-	163
Little Hoopsters - girls basketball	-	5,283	3,388	1,895
MS student council	7	-	-	7
MS volleyball	-	192	83	109
Office	372	2,527	2,617	282
Parr Family Memorial scholarship	455	-	-	455
Paul Weber Memorial scholarship	450	-	250	200
Pep club	-	679	610	69
Pep Stidham scholarship	3,895	-	500	3,395
Physical education department - UK grant	119	-	-	119
Retired teacher	-	800	300	500
Robert Alexander scholarship	200	-	-	200
Russell Madden benefit/scholarship	1,830	-	-	1,830
Sally Meng Memorial fund	100	5,820	54	5,866
Sally Meng Memorial scholarship	717	250	717	250
Science solar panel fund	-	1,921	1,800	121
Senior blast off	-	1,000	791	209
Seventh grade class	259	5	264	-
Soccer team	152	1,223	1,319	56
Spanish club	766	-	-	766
Special education	826	300	-	1,126
Spirit scholarship	1,763	-	300	1,463
Stan Swope scholarship	930	194	500	624
Stephanie Wilson Memorial scholarship	-	2,187	590	1,597
Student council	18	-	-	18
Student incentives	-	4,130	4,083	47
Sunshine fund	58	1,364	996	426
Teachers' choice scholarship	172	28	200	-
Tennis team	-	966	176	790
Track team	274	2,171	2,427	18
TRI-M	33	-	-	33
Turner/Sorrell Memorial scholarship	40	-	-	40
Varsity basketball-youth program	-	11,639	10,944	695
Volleyball team	404	3,895	3,243	1,056
Wil Forge scholarship	5,150	-	5,000	150
William and Janet Dosch scholarship	600	400	500	500
William M. Lubbers Estate	33	1,773	1,376	430
Yearbook	3,458	500	3,130	828
Total	\$ 73,724	\$ 220,954	\$ 218,623	\$ 76,055

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	GRANDVIEW ELEMENTARY SCHOOL	TOTAL
	<u> </u>	<u> </u>
Fund balance at July 1, 2011	\$ 32,922	\$ 32,922
Add: receipts	30,865	30,865
Less: disbursements	<u>(20,163)</u>	<u>(20,163)</u>
Fund balance at June 30, 2012	<u><u>\$ 43,624</u></u>	<u><u>\$ 43,624</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM/ CLUSTER TOTALS
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through the Kentucky Department of Education:</i>				
Title II - Improving Teacher Quality State Grant	84.367	3230002 11	\$ 27,318	
Title II - Improving Teacher Quality State Grant	84.367	3230002 10	2,104	\$ 29,422
Education Technology Cluster:				
Title II - Education Technology State Grant - Recovery Act	84.386	4210002 09	50	
Title II - Education Technology State Grant	84.318	3210002 10	605	655
Title IV - Safe and Drug-Free Schools State Grant	84.186	3410002 09	3,289	3,289
Education Jobs Fund	84.410	EJOB00	148,786	148,786
Title I Cluster:				
Title I - Grants to Local Educational Agencies - Recovery Act	84.389	4100002 09	746	
Title I - Grants to Local Educational Agencies	84.010	3100002 10	12,375	
Title I - Grants to Local Educational Agencies	84.010	3100002 11	198,463	
Title I - Grants to Local Educational Agencies	84.010	3100202 10	45,347	256,931
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 11	249,237	
Special Education Preschool Grants	84.173	3800002 11	9,593	
Special Education Preschool Grants	84.173	3800002 10	9,544	268,374
Total U.S. Department of Education			707,457	707,457
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the Kentucky Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 12	191,808	
National School Lunch Program	10.555	7750002 11	40,464	
School Breakfast Program	10.553	7760005 12	57,176	
School Breakfast Program	10.553	7760005 11	11,239	
Summer Food Service Program for Children	10.559	7690024 11	1,161	
Summer Food Service Program for Children	10.559	7740023 11	11,153	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	019-0200	21,419	334,420
Total U.S. Department of Agriculture			334,420	334,420
Total Expenditures of Federal Awards			\$ 1,041,877	\$ 1,041,877

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bellevue Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Bellevue Independent School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Bellevue Independent School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Bellevue Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include: Title I - Grants to Local Educational Agencies, CFDA # 84.010; Title I – Grants to Local Educational Agencies – Recovery Act, CFDA #84.389; National School Lunch Program, CFDA #10.555; School Breakfast Program, CFDA #10.553; Summer Food Service Program for Children, CFDA #10.559; and Education Jobs Fund, CFDA #84.410
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Bellevue Independent School District does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2012**

BOARD MEMBERS

Dan Sparks
Term Expires – December 31, 2014

Jenny Hazeres
Term Expires - December 31, 2014

Vanessa Groneck
Term Expires - December 31, 2012

Julia Fischer
Term Expires - December 31, 2012

Dan Swope
Term Expires – December 31, 2014

ADMINISTRATIVE PERSONNEL

Wayne Starnes, Superintendent
and Secretary to the Board of Education

Norman P. Veatch, Treasurer

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Members of the Board of Education
Bellevue Independent School District
215 Center Street
Bellevue, Kentucky 41073

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Bellevue Independent School District's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.

Internal Control Over Financial Reporting

Management of Bellevue Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bellevue Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bellevue Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bellevue Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bellevue Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, likely reading "Bertke, Sparks & Kremer, Inc.", followed by a stylized monogram or initials.

Bertke, Sparks & Kremer, Inc.
December 19, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Members of the Board of Education
Bellevue Independent School District
215 Center Street
Bellevue, Kentucky 41073

Compliance

We have audited Bellevue Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Bellevue Independent School District's major federal programs for the year ended June 30, 2012. Bellevue Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bellevue Independent School District's management. Our responsibility is to express an opinion on Bellevue Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bellevue Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bellevue Independent School District's compliance with those requirements.

In our opinion, Bellevue Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Bellevue Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bellevue Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellevue Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.
December 19, 2012

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of Bellevue Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated December 19, 2012, on the financial statements of the Bellevue Independent School District.

CURRENT YEAR RECOMMENDATIONS

Central Office

Any exceptions noted during testing appeared to be isolated incidents only.

Bellevue High School

Any exceptions noted during testing appeared to be isolated incidents only.

Grandview Elementary School

Any exceptions noted during testing appeared to be isolated incidents only.